CANADA MALTING
ANNUAL REPORT
1982

Report to the Shareholders

Report of the Directors
to the Shareholders
for the financial year ended
December 31, 1982

In 1982, your Company's consolidated net earnings after taxes were \$6.47 million, or \$7.38 per common share. In 1981, corresponding net earnings were \$4.82 million or \$5.50 per share.

Our production and shipments of malt were both slightly below the record levels attained in 1981. The market for malt in Canada decreased, and export markets either declined or failed to meet anticipated growth targets.

Interest costs for the year decreased from those of 1981 by \$3 million, as a result of lower rates and reduced levels of borrowing.

Capital expenditures in 1982 were \$.6 million.

In 1983, we expect the softness of malt markets to continue, and with it, particularly vigorous price competition in export markets. We will continue our efforts to maintain the high quality of our malt and to control our costs.

The performance of Leaver Mushrooms showed some improvement from that of the previous year, but results continue to be disappointing. During 1982, production at Mississauga was discontinued and operations were consolidated at Campbellville. We expect to conclude a sale of the Mississauga property in the near future.

The mushroom industry in Canada is experiencing weak markets and depressed prices particularly for the canned product, and so we do not anticipate an improvement for Leaver Mushrooms in 1983.

Your directors express their sincere appreciation to all employees for their loyalty, efforts and accomplishments during 1982.

On behalf of the Directors,

C F Edwards

C.F. EDWARDS,
President and
Chief Executive Officer.

Toronto, Ontario
February 24, 1983

Consolidated Balance Sheet

(expressed in thousands of dollars)

Assets	1982	1981
	December 31	
Current assets:		
Accounts receivable	$ 19,711	$ 18,815
Income taxes recoverable	—	240
Inventories —		
Barley and malt	52,151	56,488
Operating supplies	711	698
Prepaid expenses	380	331
	72,953	76,572
Fixed assets:		
Buildings and equipment	95,430	95,070
Less: Accumulated depreciation	39,421	34,648
	56,009	60,422
Land	1,701	1,615
	57,710	62,037
	$130,663	$138,609

APPROVED BY THE BOARD:

C J Edwards Director

W D Hatch Director

Consolidated Balance Sheet

Liabilities and Shareholders' Equity	1982	1981
	December 31	
Current liabilities:		
Bank advances and bankers' acceptances (Note 2)	$ 22,490	$ 33,733
Accounts payable and accrued liabilities	9,402	12,247
Income taxes payable (Note 3)	927	—
Long-term debt payable within one year	2,500	2,500
	35,319	48,480
Long-term debt:		
Term loan (Note 2)	15,200	17,600
8% first mortgage debentures payable $100,000 annually to 1983	—	100
Deferred income taxes, net of investment tax credits recoverable (Note 3)	12,420	9,597
Shareholders' equity:		
Capital stock —		
Authorized —		
An unlimited number of common shares without nominal or par value		
Issued and outstanding —		
877,148 shares	5,395	5,395
Retained earnings	60,557	55,519
	65,952	60,914
Appraisal increase, less amounts transferred to retained earnings	1,772	1,918
	67,724	62,832
	$130,663	$138,609

Consolidated Statement of Earnings

(expressed in thousands of dollars)

	1982	1981
	Year ended December 31	
Net sales	$179,501	$186,989
Costs and expenses:		
Cost of products sold and all expenses except items shown below	156,815	163,242
Bank and other interest (Note 2)	6,898	9,901
Property rentals (Note 4)	744	700
Depreciation	4,930	5,161
	169,387	179,004
Earnings before income taxes	10,114	7,985
Income taxes:		
Current	1,111	(162)
Deferred	2,532	3,323
	3,643	3,161
Net earnings for the year	$ 6,471	$ 4,824
Earnings per share	$7.38	$5.50

Consolidated Statement of Retained Earnings

(expressed in thousands of dollars)

	1982	1981
Balance at beginning of year	$ 55,519	$ 52,128
Net earnings for the year	6,471	4,824
Amount transferred from appraisal increase	146	146
	62,136	57,098
Deduct: Dividends on common shares — $1.80 per share in 1982 and 1981	1,579	1,579
Balance at end of year	$ 60,557	$ 55,519

Consolidated Statement of Changes in Financial Position

(expressed in thousands of dollars)

	1982	1981
	Year ended December 31	
Source of working capital:		
Net earnings for the year	$ 6,471	$ 4,824
Non-cash charges deducted in arriving at earnings —		
Depreciation	4,930	5,161
(Loss) on disposal of fixed assets	(23)	—
Deferred income taxes	2,532	3,323
Funds provided from operations	13,910	13,308
Decrease in investment tax credits recoverable (Note 3)	291	—
Proceeds from disposal of fixed assets	40	240
	14,241	13,548
Use of working capital:		
Additions to fixed assets	620	5,905
Dividends on common shares	1,579	1,579
Reduction of long-term debt	2,500	2,500
Increase in investment tax credits recoverable (Note 3)	—	402
	4,699	10,386
Increase in working capital	9,542	3,162
Working capital at beginning of the year	28,092	24,930
Working capital at end of year	$37,634	$28,092

Notes to Consolidated Financial Statements

1. Summary of accounting policies:

(a) Principles of consolidation —

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Leaver Mushrooms Co. Limited.

(b) Inventories —

Barley and malt are valued at the lower of cost and net realizable value. Operating supplies are valued at cost.

(c) Fixed assets —

Land, buildings and equipment are stated at 1955 appraised values plus subsequent additions at cost. Depreciation provisions are computed by the straight-line method at rates based on the estimated useful lives of the depreciable assets, principally as follows:

Buildings	— 2.5% per annum
Indirect heating and heat recovery equipment	— 10.0% per annum
Other machinery and equipment	— 7.5% per annum

The Corporation follows the policy of capitalizing interest on borrowings during the construction of major projects. Government grants and investment tax credits relating to the projects are deducted from their cost.

(d) Appraisal increase —

The appraisal increase represents the excess of the appraised value of the fixed assets over their depreciated book value on February 28, 1955. The Corporation follows the policy of transferring the appraisal increase to retained earnings in annual amounts representing the additional depreciation provided on the appraisal increase.

(e) Pensions —

Current service costs are charged to operations as they accrue. Unfunded past service costs, amounting to approximately $900,000 at December 31, 1982 (1981 – $1,140,000) are being amortized by annual payments through to 1993.

(f) Foreign currency transactions —

The Corporation's principal transactions involving foreign currencies are export sales, substantially all of which are covered by foreign exchange contracts or foreign bank advances. These sales are translated into Canadian dollars at the rates applicable to the related forward exchange contracts or foreign bank advances.

Current assets and current liabilities to be settled in foreign currencies are translated into Canadian dollars at rates applicable to related forward exchange contracts, or at exchange rates prevailing at the balance sheet date.

2. Bank financing:

The term loan is payable to a Canadian chartered bank. The loan expires in 1990 with interest payable monthly and can be financed at the bank's prime rate or by the issuance of bankers' acceptances. The interest rate is subject to review on May 1, 1984. Annual principal repayments of $2,400,000 are required. Prepayment is permitted without penalty or bonus.

Long-term interest expense in 1982 was $2,488,000 (1981 – $3,802,000).

3. Income taxes:

In determining the provision for income taxes, the earnings before income taxes are adjusted for permanent differences, mainly the 3% inventory allowance. The Corporation's income tax rate is reduced by the manufacturing and processing profits deduction.

Investment tax credits arising from capital expenditures and amounting to $3,561,000 are available to reduce income taxes payable in future years. These credits are reflected in the balance sheet as a reduction of deferred income taxes.

Of the $3,561,000, $236,000 expires in 1984, $2,667,000 expires in 1985, $402,000 expires in 1986 and $256,000 expires in 1987.

Notes to Consolidated Financial Statements

4. Leased property:

Under the terms of the lease taken back on the Toronto Bathurst Street property, expropriated in 1973, the Corporation has leased the property to November 30, 1987 with the right to terminate the lease with one year's notice. The Corporation may also, with one year's notice to take effect at any time, require the lessor to take possession of any part of the leased property with an appropriate adjustment of the rent. The lessor has the right to terminate the lease with four years' notice.

The Corporation has reached an agreement in principle with the lessor to extend the lease to November 30, 1990.

The annual rent for the balance of the lease period is currently $614,000.

5. Segmented information and related party transactions:

Sales of malt constitute the dominant industry segment of the Corporation. The malt is processed from Canadian barley and supplied to brewers, distillers and food manufacturers.

Of the total quantity of malt sold by the Corporation, export sales accounted for approximately 40% (1981 – 40%) and sales to shareholders, who account for their investment on the equity basis, approximately 45% (1981 – 45%)

Sales to related parties are made in the normal course of business and on the same terms and conditions as sales to unrelated parties.

6. Remuneration of directors and senior officers:

The aggregate direct remuneration paid by the Corporation and its subsidiary to the directors and senior officers of the Corporation during the year ended December 31, 1982, determined in accordance with the Quebec Securities Act, amounted to $50,000 (1981 – $46,000) and $504,000 (1981 – $420,000) respectively.

Auditors' Report

To the Shareholders of Canada Malting Co. Limited:

We have examined the consolidated balance sheet of Canada Malting Co. Limited as at December 31, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse
Chartered Accountants

Toronto, Ontario
February 24, 1983

CANADA MALTING CO. LIMITED

10 Year Summary

(expressed in thousands of dollars except current ratio and per share amounts)

Operations	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Net Earnings:										
Before extraordinary item	$6,471	$4,824	$4,716	$4,785	$5,609	$3,656	$2,023	$2,601	$4,157	$3,279
After extraordinary item	6,471	4,824	3,935	4,785	5,609	3,656	6,482	2,601	4,157	6,152
Financial										
Working Capital	37,634	28,092	24,930	28,301	29,209	24,375	22,253	15,728	14,451	12,840
Investment in Fixed Assets (net)	57,710	62,037	61,533	34,062	28,756	28,696	27,811	28,740	29,830	27,754
Total Assets	130,663	138,609	139,069	95,190	77,042	75,821	79,419	85,083	82,643	74,824
Shareholders' Equity	67,724	62,832	59,587	57,147	53,864	49,753	47,285	42,012	40,608	37,658
Current Ratio										
	2.07-1	1.58-1	1.47-1	1.86-1	2.57-1	2.12-1	1.80-1	1.41-1	1.40-1	1.41-1
Per Common Share										
Net Earnings:										
Before extraordinary item	7.38	5.50	5.38	5.49	6.46	4.22	2.34	3.01	4.81	3.60
After extraordinary item	7.38	5.50	4.49	5.49	6.46	4.22	7.50	3.01	4.81	6.93
Dividends — Regular	1.80	1.80	1.80	1.80	1.60	1.45	1.40	1.40	1.40	1.35
— Extra					.20					
Shareholders' Equity	77.21	71.63	67.93	65.43	61.89	57.36	54.70	48.60	47.01	43.59

Corporate Information

Board of Directors

*John W. Adams, FCA
Robert Després, O.C.
Cecil F. Edwards
Douglas W. Elliott
James C. Grant
*W. Douglas Hatch
*John P.G. Kemp
*Wallace F. Read
George H. Sellers
Reginald J. Thomas

*Member of the Audit Committee

Honorary Director

Leonard G. Lumbers

Officers

Cecil F. Edwards	President and Chief Executive Officer
James C. Grant	Vice President and General Manager
Douglas W. Elliott	Vice President, Sales
Donald W. McOuat	Assistant General Manager
Alexander L. Mackay	Controller
Gordon J. Cater	Secretary-Treasurer

Head Office

1 Bathurst Street
Toronto, Ontario M5V 2N8

Malthouses and Elevators

Toronto Montreal Winnipeg
Calgary Thunder Bay

Transfer Agent and Registrar

National Trust Company, Limited
Toronto Montreal

The Annual meeting will be held at 11:30 a.m. on Thursday, April 28, 1983 at the Royal York Hotel, 100 Front Street West, Toronto, Ontario.